CLEARWATER SEAFOODS INCOME FUND

2008 First Quarter Report to Unitholders

Letter to Unitholders

- Distributable cash improved by $4.4 million compared to the first quarter of 2007.
- Sales for the first quarter of 2008 were $57.1 million with a gross profit of $12.2 million, excluding impact of the adoption of the new inventory accounting standard, relatively consistent with the prior year.
- Have taken possession of the new clam vessel, positioning clam business for growth.
- Negotiated renewed and expanded joint venture agreement for the shrimp business, securing continued partnership for the future.
- Trustees continue work on strategic review.

Today, Clearwater Seafoods Income Fund (the "Fund") reported first quarter 2008 results that illustrated improved distributable cash levels and sales that were comparable to the first quarter of 2007.

Sales and gross margins were comparable considering the business operated with one less vessel in the shrimp fleet when compared to the prior year. There were a number of significant events that impacted the first quarter of 2008 as discussed below.

- First, the continued negative impact of foreign exchange on sales. For the first quarter of 2008, sales and margins were negatively impact by $6.2 million when current effective rates are compared to those of 2007. However, less disruptions in the clam and scallop businesses resulted in an overall gross profit that was $421,000 higher than 2007 despite the negative exchange impact, excluding the impact from the adoption of the new inventories accounting standard (see detail at the end of this release).

  Fluctuating exchange rates also resulted in a reduction of $6.3 million in realized foreign exchange expense compared to 2007 in Clearwater's foreign exchange management program while unrealized losses changed by $27.5 million. It is important to understand that more than 80% of Clearwater's sales are denominated in currencies other than the Canadian dollar, whereas the majority of its expenses are in Canadian dollars. As a result, foreign exchange fluctuations can have a material impact on Clearwater's financial results.

The overall impact of exchange on earnings was $27.4 million ($6.2 million negative impact on sales and gross profit, $6.3 million reduction in realized exchange losses and a $27.5 million increase in unrealized losses).

- Second, Clearwater was able to achieve substantial reductions in selling and administrative expenses in 2008. This relates mainly to lower spending on professional and consulting fees. The current year strategic review costs of approximately $130,000 are offset by lower professional and consulting costs for the first quarter of 2008. The prior year included costs of approximately $650,000 related to potential acquisitions and approximately $200,000 more in information technology consultation spending. The impact of the new inventory accounting standard resulted in an additional reduction of $2.6 million in selling and administrative costs in the current quarter as those costs were reclassified to cost of goods sold.

The factors listed above led to an improvement of $4.4 million in distributable cash levels. On January 21, 2008 due to the 2007 financial results, the Trustees of the Fund announced the suspension of monthly distributions. Tom Traves, Chairman of the Trustees has stated “The Trustees will continue to monitor the distribution policy with distributions to be determined quarterly and paid in arrears after considering the traditional criteria in determining the distribution policy.” The Trustees have decided it would be appropriate to not pay a distribution for the first quarter of 2008

In late April 2008, Clearwater took delivery of the vessel it had been converting over the past several months for its clam fishery. This vessel is expected to begin harvesting product later in 2008, which will enable Clearwater to grow its sales volumes and achieve greater harvesting efficiencies, both of which are expected to increase the margins achieved by the clam business.

In addition, Clearwater has renewed and expanded its joint venture agreement for its shrimp harvesting operations effective April 1, 2008. This joint venture will enable Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that is expected to create efficiencies and improved profits for the business in the future.

Strategic Review

The Trustees are continuing to work together with their financial advisor, BMO Nesbitt Burns, to assess and review the options available to Clearwater given the Company’s recent performance and the Canadian government income trust legislation that will impose a tax on all income trusts beginning in 2011. Tom Traves stated “There is, of course, no certainty that any transactions or fundamental changes to Clearwater's business will result from this strategic review, however, the Trustees and Directors felt that such a detailed review was warranted given the challenges the Company faced in 2007. The Trustees understand that any decisions based on the review may have a significant impact on our investors, and the value of Clearwater. As such, the Trustees are ensuring that the proper due diligence is given to the review, and that all options will be given proper consideration. When a decision is reached or a significant event occurs, it will be communicated to our investors in a timely manner. Regardless of the direction in which this review may take us, the primary goal of the Trustees will remain, as always, to maximize unit holder value."

Summary

From an operational perspective, the clam business operated without any significant interruptions during the quarter resulting in improved sales and margins in the first quarter of 2008, excluding the impact of the new inventories standard.

In summary, Clearwater's 2008 gross profit year-to-date was consistent with the prior year, excluding the impact of the new inventories standard. The current year has operated to date without the significant vessel disruptions experienced in the scallop and clam fleets in 2007. Improvements in selling and administrative costs were offset by higher interest costs due to higher average debt balances.

Outlook

Management continues to believe there is strong potential for growth in the clam business. They expect to realize this potential with the delivery of the newly converted clam vessel that arrived in the second quarter of 2008. This new vessel combined with the ocean bottom mapping technology will enable the clam business to realize significant improvements in this business for 2008 and beyond.

The earnings related to the shrimp business are expected to improve relative to the results in the first quarter of 2008. The shrimp quota, along with the recently purchased turbot quota, has been rolled into a renewed joint venture agreement effective April 1, 2008. Clearwater and Ocean Prawns have enjoyed a successful partnership since 1991 and we are very pleased to renew our joint venture on an expanded scale for an additional ten years.

In addition, management expects the scallop business to show improved results over fiscal 2007.

Clearwater will continue to monitor its financial position on a regular basis and review distribution decisions on a quarterly basis in arrears. At the same time, the Trustees and special committee are committed to thoroughly examining all the options available, to maximize unit holder value and foster long-term growth, through the strategic review currently in progress.

Colin MacDonald, Clearwater's CEO stated "We hold significant quotas in our key species, we have leading edge, innovative harvesting and processing technologies and we are vertically integrated. Our business strategies to deliver long-term value are sound. We have an outstanding and dedicated workforce, excellent quota positioning, and global customer relationships that span decades and we look forward to building on these strengths for the balance of 2008 and going forward."

Colin MacDonald
Chief Executive Officer
Clearwater Seafoods Limited Partnership
May 13, 2008

2008 First Quarter MD&A table of contents

Selected quarterly information
Explanation of quarterly results
Liquidity and capital resources
Outlook
Risks and uncertainties
Other information
Critical accounting policies
Summary of quarterly results
Definitions and reconciliations

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 13, 2008.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A as well as the related 2008 first quarter financial statements and news release.

This MD&A should be read in conjunction with the interim and annual financial statements, and the annual information form, which are available on Sedar at www.sedar.com as well as Clearwater's website, www.clearwater.ca.

Clearwater has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Ontario Securities Commission in multilateral instrument 52-109. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of March 29, 2008 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in interim filings.

Management has determined there were no changes to Clearwater's ICFR during the first quarter of 2008 that have materially affected, or were reasonably likely to materially affect its ICFR.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

OVERVIEW OF THE FUND AND CLEARWATER

Clearwater Seafoods Limited Partnership ("Clearwater") is the largest publicly traded shellfish company in North America and is widely recognized for its consistent quality, wide diversity, and reliable delivery of premium seafood, including scallops, lobster, clams, coldwater shrimp, crab and ground fish. Our key competitive advantages include our ownership of significant quotas in key species, our innovations in harvesting and processing technologies, and our vertical integration, which allows Clearwater to manage marketing, sales and distribution in-house. Since it's founding in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed Clearwater to remain a leader in the global seafood market.

EXPLANATION OF FIRST QUARTER 2008 RESULTS

The results of operations of the Fund are entirely related to Clearwater's performance; therefore the commentary below is on the operations of Clearwater.

The first quarter of 2008 results were prepared in accordance with the new inventory standard issued by the Canadian Institute of Chartered Accountants, effective January 1, 2008 for Clearwater. This standard provides more extensive guidance on the determination of cost and requires that variable overheads, a portion of administration expenses and depreciation be inventoried and as a result, included in the cost of goods sold. This standard was not applied retroactively and prior year numbers were not restated. An adjustment was made to opening deficit to reflect the impact of this standard on the opening inventory figure for January 1, 2008. The first quarter 2007 does not reflect a similar adjustment and therefore the quarters are not readily comparable.

The following table illustrates the impact of the new standard on amounts reported in the first quarter 2008 financial statements.

	Amount prior to application of new standard	*Adjustment for new standard*	*Amount per financial statements*
Cost of good sold	*$ 44,883*	*$ 5,945*	*$ 50,828*
Gross profit	*12,231*	*(5,945)*	*6,286*
Administration and selling	*8,693*	*(2,604)*	*6,089*
Depreciation and Amortization	*2,756*	*(2,218)*	*538*
Net loss	*$ (20,246)*	*$ (1,123)*	*$ (21,369)*

Overview

Clearwater's first quarter 2008 results indicate a continuing trend of performance improvements in key markets, but also reflect pressure caused by a number of factors including foreign exchange.

The statements of earnings disclosed below reflect the unaudited year-to-date earnings of Clearwater for the 13-week periods ended March 29, 2008 and March 31, 2007. Please refer to the critical accounting policies section of the MD&A for further details.

(In 000's)	2008	2007
Sales	$ 57,114	$ 59,095
Cost of goods sold	50,828	47,285
	6,286	11,810
	11.0%	20.0%
Administration and selling	6,089	10,343
Gain on disposal and other, net	(471)	(78)
Other income	(1,328)	(1,246)
Insurance claim	-	(3,552)
Foreign exchange loss (income)	17,290	(3,951)
Bank interest and charges	130	219
Interest on long-term debt	4,458	2,938
Depreciation and amortization	538	2,963
	26,706	7,636
(Loss) earnings before income taxes and minority interest	(20,420)	4,174
Income taxes	803	(516)
(Loss) earnings before minority interest	(21,223)	4,690
Minority interest	146	1,022
Net (loss) earnings	$ (21,369)	$ 3,668

Net (Loss) Earnings

Net earnings decreased by $25.0 million in 2008 compared to the first quarter of 2007, due primarily to the impact of a higher unrealized foreign exchange loss.

In (000's)	2008	2007	Change
Net (loss) earnings	$ (21,369)	$ 3,668	$ (25,037)

Explanation of changes in earnings:

Higher unrealized foreign exchange and derivative loss	(27,572)
Lower gross profit, net of insurance claim of $3.6 million (includes $5,945 impact from new accounting standard)	(9,076)
Higher interest on long term debt	(1,520)
Lower realized foreign exchange and derivative loss	6,331
Lower administrative and selling costs (includes $2,604 impact from new accounting standard)	4,254
Lower depreciation and amortization expense (includes $2,218 impact from new accounting standard)	2,425
All other	121
	$ (25,037)

Year-to-date sales to customers by product category were as follows:

In (000's)	2008	2007	Change	%
Scallops	$ 24,365	$ 20,876	$ 3,489	17 %
Lobster	13,888	15,872	(1,984)	(13) %
Clams	11,498	9,717	1,781	18 %
Coldwater shrimp	4,941	9,653	(4,712)	(49) %
Ground fish and other	1,625	2,251	(626)	(28) %
Crab	797	872	(75)	9 %
Hedging program	-	(146)	146	100 %
	$ 57,114	$ 59,095	$ (1,981)	(3) %

The clam fleet operated without any significant interruption in the first quarter of 2008. Clam sales and volumes are expected to continue at current levels until the converted Arctic Endurance begins to land product later in 2008. Clam sales, volumes and gross profits in 2007 were impacted as one of the two vessels was on refit costing approximately $0.7 million in refit expense and resulting in lower harvest volumes and product available for sale with increased vessel costs.

The conversion of the Arctic Endurance, a vessel from our shrimp fleet, into a clam vessel is now complete and Clearwater took delivery of the vessel in April 2008. The final cost of the conversion was approximately $17.5 million or approximately $1.5 million higher than the original estimate, mainly due to currency fluctuations. This investment in new harvesting capacity will result in growth in clam sales volumes and greater harvesting efficiencies, which will serve to boost the profitability of the clam business over the next several years. The re-assignment of the vessel from the shrimp fleet is not expected to have any material impact on the shrimp business for fiscal 2008, as the quota previously fished by this vessel is included in a renewed and expanded joint venture agreement for the FAS shrimp business effective April 1, 2008.

The scallop fleet operated in the first quarter without any refit or significant interruptions that lead to an increase in inventory available for sale and resulting sales compared to the prior year. In 2007 sales and margins were impacted by refit costs of $1.6 million resulting in higher operating costs and lower harvest volumes. In 2008, the volumes have increased by 60%, however this was offset by a 27% decrease in selling prices with sales volumes weighted towards smaller product size compared to the prior year.

Lobster sales decreased compared to the prior year as lower volume sales with higher product costs have been offset by higher selling prices with a slightly different product mix. The raw lobster product has accounted for a greater percentage of total lobster sales for 2008 compared to 2007, a trend expected to continue. We continue to realize the benefits of our raw lobster product and the application of technology that provides a more effective method to sort and grade our live lobster, improving margins.

Coldwater shrimp sales were significantly lower in the first quarter of 2008 compared to the prior year. This is primarily due to lower volumes as in the fourth quarter of 2007, the Arctic Endurance, a vessel in the shrimp fleet, was removed from the fleet to be converted to a clam vessel. Groundfish sales were also impacted by the removal of the Arctic Endurance from the fleet as this vessel also landed other species that were captured in the groundfish category in 2007 for which there were no sales for 2008. Clearwater has renewed and expanded its joint venture agreement for its shrimp harvesting operations effective April 1, 2008. This joint venture will enable Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that is expected to create efficiencies and improved profits for the business in the future.

Foreign exchange decreased the value of sales and margins by approximately $6.2 million year-to-date in 2008 compared to the rates received in 2007.

	2008		2007	
Currency	% sales	Rate	% sales	Rate
US Dollars	41.4%	1.004	46.5%	1.171
Euros	21.9%	1.508	15.3%	1.535
Japanese Yen	11.7%	0.010	10.3%	0.012
UK pounds	7.3%	1.984	7.0%	2.281
Canadian dollar and other	17.7%		20.9%	
	100.0%		100.0%	

Gross margins were also impacted by the adoption of the new accounting standard for inventories. Excluding the impact of $5.9 million on 2008 first quarter earnings from this new standard, gross margins were $12.2 million in the first quarter of 2008 versus $11.8 million in the first quarter of 2007.

In summary, sales were slightly lower than the prior year-to-date due to lower shrimp sales as a result of the removal of the Arctic Endurance for conversion to a clam vessel partially offset by higher scallop sales. Gross profits were slightly higher year-to-date as compared to 2007, primarily due the sales mix, as there were higher volume sales from more profitable species. In addition, there were less vessel disruption related costs in 2008. This enabled Clearwater to achieve a relatively consistent margin despite the fact that foreign exchange reduced sales by approximately $6.2 million in 2008 compared to 2007.

Fuel costs are also higher on average compared to 2007, which has an impact on the financial results. For example, Clearwater used approximately 29 million litres of marine diesel fuel during the 2007 year. A one-cent per litre change in the price of fuel impacts harvesting costs by approximately $290,000 based on fiscal 2007 fuel purchases.

Administration and selling costs were impacted by the adoption of the new accounting standard for inventories. Excluding the impact of $2.6 million on 2008 first quarter figures from this new standard, administrative and selling expenses were $8.7 million in the first quarter of 2008 versus $10.3 million in the first quarter of 2007 or approximately 16% lower than the prior year-to-date. Management had previously stated that they anticipate a reduction in administration and selling costs due to process and system improvements with tighter control over spending. The majority of the savings in the first quarter of 2008 compared to 2007 was the result of $1.1 million less spending on professional and consulting fees. In the first quarter of 2007, approximately $600,000 of fees and costs were expensed related to possible acquisitions.

Other income in 2008 year-to-date is consistent with 2007. There is a higher level of investment income as a result of higher average cash balances for the period. This is offset by a lower amount of export rebate as well quota rental and royalties due to timing.

Other income detail:	2008	2007
Investment income	$ 704	$ 232
Export rebate	80	296
Quota rental and royalties	99	337
Other	445	381
	$ 1,328	$ 1,246

The insurance claim received in 2007 related to one of Clearwater's clam vessels, the Atlantic Pursuit, which was damaged extensively on December 5, 2006 when it was struck by a large wave. This was an older vessel and scheduled to be retired from the fleet later in 2007, however, as a result of the damage incurred, was retired from service early. An agreement was reached with Clearwater's insurers during the first quarter of 2007, and as a result a gain of approximately $3.6 million was recorded. The vessel had a nominal book value and management has since disposed of the vessel.

Foreign exchange and derivative contracts resulted in a loss of $17.3 million year-to-date in 2008 as compared to a gain of $4.0 million in the comparative period for 2007. The majority of the variance relates to unrealized losses of $16.4 million related to 2008 versus an unrealized gain of $11.2 million for 2007. Clearwater does not account for its foreign exchange contracts as accounting hedges, and therefore must record the mark-to-market value of the contracts each quarter, adjusting for non-cash impacts of foreign exchange on the outstanding contracts.

From a cash perspective, the fluctuating exchange rates resulted in realized foreign exchange expense of $0.9 million year-to-date in 2008, a decrease of $6.3 million compared to 2007. Please refer to note 3 in the financial statements for a detailed listing of outstanding contracts at the end of the first quarter of 2008 and their fair values. As of March 29, 2008, the mark-to-market valuation was a net liability of $36.0 million versus $12.0 million at December 31, 2007. This is a significant increase from year-end and is due in part to the relative weakening of the Canadian dollar to various currencies.

Over the longer term, the changing Canadian dollar will continue to impact Clearwater, as approximately 80% of our sales are denominated in foreign currencies.

Clearwater's foreign exchange program involves the use of foreign exchange forward contracts supplemented by the use of foreign exchange options. Income generated from forward exchange derivative contracts is recognized as realized foreign exchange and derivative income when the contract is settled. Until that time, the fluctuations are recorded as unrealized foreign exchange and derivative income. Proceeds generated from derivative option contracts are included in realized foreign exchange and derivative income when the option is written. Included in other realized loss is approximately $1.0 million of interest payments related to the swaps associated with the Iceland bond for 2008 ($1.0 million for 2007). The other realized loss is compounded by foreign exchange losses on the revaluation of current assets.

Schedule of foreign exchange and derivative contract loss (income) for the 13 weeks ended March 29, 2008 and March 31, 2007:

In (000's)	2008	2007
Realized loss		
Foreign exchange and derivative loss	1,884	7,291
Other realized gain	(1,005)	(81)
	879	7,210
Unrealized loss (gain)		
Balance sheet translation	(6,595)	2,841
Mark-to-market on exchange derivative contracts	16,874	(10,984)
Mark-to-market on interest and currency swap contracts	6,132	(3,018)
	16,411	(11,161)
Total loss (gain)	$ 17,290	$ (3,951)

Bank interest and interest on long-term debt increased significantly as compared to 2008 due to a higher average amount of debt outstanding. This is mainly due to the convertible debentures that were issued at a 7.25% interest rate in March of 2007. Effectively, the amount of convertible debt doubled at the end of the first quarter of 2007 and as a result interest costs have increased.

Depreciation and amortization was impacted by the adoption of a new accounting standard for inventories. Excluding the impact of $2.2 million on 2008 first quarter figures from this new standard, depreciation and amortization expense was $2.8 million in the first quarter of 2008 versus $3.0 million in the first quarter of 2007.

Income taxes have increased compared to the year-to-date amount in 2007. This is mainly due to the fluctuation in the amount related to future income tax.

Minority interest relates to earnings from Clearwater's investment in its subsidiaries in Argentina and Newfoundland and Labrador.

LIQUIDITY AND CAPITAL RESOURCES

Earnings before interest, tax, depreciation and amortization ("EBITDA") and leverage are not recognized measures under Canadian Generally Accepted Accounting Principles ("GAAP") and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA and leverage are measures frequently analyzed for public companies, we have calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows, and management does not use this measure as a performance measure of earnings. Please refer to the section on definitions and reconciliations for calculation of the EBITDA and leverage referred to in this document.

Capital Structure

Clearwater's capital structure includes a combination of equity and various classes of long-term debt. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange and refinancing risk as appropriate.

Management believes that the significant cash balances currently being carried and the available credit lines provided by its bank syndicate will be sufficient to meet Clearwater's cash requirements. We use leverage, in particular senior revolving and term debt, to lower our cost of capital. The amount of senior debt available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. We maintain flexibility in our capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include early repayment of debt, repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required in advance of maturity dates.

In 2008, $59.3 of term notes are due (note 4 (a) to the financial statements), resulting in that debt classified as current. Management intends to refinance the debt during the next two quarters with such refinancing happening as part of the strategic review currently being conducted or as a stand-alone refinancing.

As at March 29, 2008, the Fund owns 54.27% (December 31, 2007 - 54.71%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated ("CFFI") maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by CFFI.

As at March 29, 2008, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

	Fund	Clearwater
Units		
Publicly Listed Trust Units	27,745,695	
Class A Partnership Units		27,745,695
Units Held solely by Clearwater Fine Foods Incorporated		
Special Trust Units	23,381,217	
Class B Partnership Units		23,381,217
	51,126,912	51,126,912
Convertible debentures/Class C Partnership Units		
Convertible debentures	$ 43,338,000	
Class C Partnership Units		$ 43,338,000
Convertible debentures/Class D Partnership Units		
Convertible debentures	$ 41,054,000	
Class D Partnership Units		$ 41,054,000

Clearwater also has other debt, and as a result its total capital structure is as follows as March 29, 2008 and December 31, 2007:

In (000's)	March 29 2008	December 31 2007
a. Equity – Partnership units	$ 164,770	$ 167,698
b. Convertible debt, Class C units, due in 2010	43,338	43,201
c. Convertible debt, Class D units, due in 2014	41,054	40,951
d. Non-amortizing debt		
Term notes due in 2008	58,154	57,641
Term notes due in 2013	24,789	24,629
Bond payable, due in 2010	43,328	51,392
Term loan, due in 2091	3,500	3,500
	129,771	137,162
Amortizing debt		
Marine mortgage	5,239	4,911
Other loans	1,279	1,339
	6,518	6,250
Deficit	(49,992)	(33,909)
	$ 335,459	$ 361,353

a. Equity consists of Class A Limited Partnership units, Class B General Partnership units and an equity portion of Class C Partnership units and Class D Partnership units. Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with **Special Trust Units** that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI.

b. Convertible debt - In June 2004, 4,081,633 **Class C units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $50 million of convertible debentures ($45 million in principal outstanding as at December 31, 2007 and as at March 29, 2008 due to buybacks under a normal course issuer bid) The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units, $882,000 on issuance, was classified as equity and the remaining portion of the units was classified as debt. As noted previously, Clearwater has repurchased some of this debt such that at March 29, 2008, the face value of the debt outstanding was $45 million, $43 million net of financing charges and option to convert (December 31, 2007 - $43 million, net of option to convert and financing charges). The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7%, and are due on December 31, 2010. They are convertible at any time up to maturity, at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. The debentures are not redeemable before December 31, 2007. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

c. Convertible debt - In 2007 8,142,712 Class D units were issued for proceeds of $48 million. **Class D units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $48 million of convertible debentures, ($44 million in principal outstanding as at December 31, 2007 and as at March 29, 2008 due to buybacks under a normal course issuer bid)The Class D units are non-voting, redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units, $1,579,000, has been classified as equity and the remaining portion of the units has been classified as debt. The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7.25%, and are due on March 31, 2014. They are convertible at any time up to maturity, at the option of the holder, into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30. The debentures are not redeemable before March 31, 2010. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

d. Non-amortizing debt - In addition to the convertible debentures and Class C and D Partnership units, Clearwater has additional primary debt facilities. These facilities include approximately $82 million in **five and ten year notes** in Canadian and U.S. dollars from a syndicate of five institutional lenders (including US $20 million that was available to be drawn at market rates until late 2007) due in 2008 and 2013 and 2,460 million ISK in **five-year bonds**. The 2,460 million ISK bonds yield 6.7%, are adjusted for changes in the Icelandic consumer price index (CPI), mature in 2010 and are unsecured. These bonds have been fully swapped into Canadian, U.S., Euro and Pound Sterling debt with floating interest rates. The bond is recorded in long-term debt at $31.6 million along with $5.7 million of accrued interest and $6.1 million of accrued CPI, both of which are completely offset by swap contracts. The mark-to-market adjustment related to the bond as of March 29, 2008 is a liability of $5.6 million (December 31, 2007 an asset of $0.9 million).

Clearwater has a $60 million **revolving term debt facility** from a syndicate of banks**.** This facility was not drawn upon at March 29, 2008. This facility, which matures and is renewable in May 2009, is part of a master netting agreement and was in a cash position of $50.5 million as at March 29, 2008.

As part of its strategy to manage its capital structure, the Fund filed a normal course issuer bid by which it can acquire up to $4.8 million principal amount of 2007 convertible debentures and $4.5 million principal amount of 2004 convertible debentures in the 12-month period ending August 2008. This is accompanied by a similar agreement by Clearwater to repurchase Class C Partnership units. Under a previously filed normal course issuer bid that expired August 2007, a total of $5 million of the Class C units have been repurchased ($3 million in fiscal 2006, $2 million in fiscal 2007) and cancelled and the proceeds were used to repurchase and cancel an equivalent amount of convertible debentures. Under the current normal course issuer bid, approximately of $3.7 million of the Class D units have been repurchased and cancelled, with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures.

The Board of Trustees believes that repurchase of the Fund's units, from time to time, may represent an attractive opportunity to realize additional unit holder value and that the purchase of units would be an appropriate and desirable use of the Fund's available resources. Therefore, on January 24, 2007, the Fund received approval for a normal course issuer bid which enabled it to purchase, from time to time, up to 2.5 million outstanding trust units, which amount represents less than 10% of the public float. Any such purchases of units were to be made during the 12-month period commencing on January 24, 2007, and in accordance with the requirements of the TSX. The units were to be purchased by the Fund for cancellation, and accompanied by a similar repurchase of units by Clearwater. Purchases were to be made at market prices through the facilities of the TSX, and to be funded out of the Fund's available cash and through borrowings under its existing credit facility (subject to receiving the approval of its lenders). For 2007, the Fund repurchased and cancelled 1,162,100 units at a cost of approximately $5.6 million. The transactions resulted in decreasing the unit value outstanding by $11.8 million and increasing contributed surplus by $6.2 million. During the first quarter of 2008 the Fund repurchased and cancelled 500,000 units at a cost of approximately $2.3 million. The transaction resulted in decreasing the unit value outstanding by $5.1 million and increasing contributed surplus by $2.7 million. The normal course issuer bid for units has expired.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. These covenants include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that can limit the amount of distributions paid. During the first quarter of 2008, the terms of the lending agreement were amended resulting in additional conditions on the amount of distributions that can be declared in 2008. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. When considering leverage, it has remained consistent when compared to December 31, 2007 and the increase in EBITDA is offset by higher calculated debt levels. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

Working capital and cash flows

As of March 29, 2008 there is a significant cash position on the balance sheet in the amount of $55.6 million. This cash balance is intended to be used to fund planned capital expenditures related to final payments for the conversion of the Arctic Endurance, to reduce existing debt balances as appropriate and to manage working capital needs.

The net investment in working capital, excluding derivative financial instruments, is lower than that at December 31, 2007, due to the lower amounts of accounts receivable and inventories.

CASH FLOWS

Summarized cash flow information in (000's)
For the 13-week periods ending March 29, 2008 and March 31, 2007. See statements of cash flows for more detail.

	2008	2007
Cash flow from operations (before change in working capital)	$ 1,167	$ 3,617
Investing, Financing, and change in non-cash working capital		
Change in non-cash working capital	(12,785)	(14,996)
Capital expenditures (net of proceeds on sale)	21,403	6,901
Distributions to unitholders	2,581	7,918
Distributions to minority partners	-	1,429
Purchase of units	2,337	246
Other investing activities	348	371
Adjustment for foreign exchange impact on debt	(5,852)	3,636
Other cash flow items	152	116
	8,184	5,621
Increase in long-term debt, net of cash	$ 9,351	$ 9,238

During the first quarter of 2008 funded debt (net of cash balances) has increased by approximately $9 million as a capital expenditures were greater than amounts generated from earnings and improvements in working capital.

Cash flows generated by Clearwater along with its banking facilities are used to fund current operations, seasonal working capital demands, capital expenditures, and other commitments. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the second half of the calendar year than in the first half of the year. Inventories reach a seasonal peak in the summer due to better weather for harvesting, resulting in seasonal demands on working capital.

CAPITAL EXPENDITURES

Capital expenditures were $21.9 million (2007 - $7.3 million) year-to-date. Of this amount, $20.9 million were considered to be return on investment ("ROI") capital. In 2007, $6.8 million was considered to be ROI capital and $0.5 million was considered to be maintenance capital. ROI and maintenance capital are tracked on a project-by-project basis. The ROI projects for the quarter ended March 29, 2008 were the conversion of the shrimp vessel to a clam vessel and the expansion of our plant in St. Anthony, Newfoundland. Significant expenditures that are expected to have an average return in excess of average cost of capital are classified as ROI, and expenditures that have less than the average cost of capital are classified as maintenance.

Clearwater is reviewing its options with regards to the vessel status in Argentina and plans to perform a major refit on one of its vessels, increasing the life of the vessel and delaying the need to replace a vessel by approximately two years. We expect to move forward with this project in 2009.

During the balance of the year, there are a number of refits planned that include two shrimp vessels, one clam vessel and one Argentine scallop vessel. These refits are all in the normal course of operations and are not expected to have a material impact on operations.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS
(Please refer to the definitions and reconciliation section of the MD&A for the reconciliation between cash flows from operations to distributable cash.)

Distributable cash does not have any standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. This provides guidance to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. As distributable cash is a measure frequently analyzed for income trusts, we have calculated the amount in order to assist readers in this review. However, distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows, and management does not use this measure as a performance measure of earnings. Management uses distributable cash as a measure of cash generated by Clearwater available for distribution to unit holders without eroding Clearwater's production capacity.

The first quarter of 2008 reflected an increase in distributable cash generated of $4.4 million as compared to the first quarter of 2007. There were no major refit costs or other vessel interruptions in the first quarter of 2008, resulting in improvements in the level of distributable cash generated. 2007 results had been impacted by vessel disruptions due to refits in both the clam and scallop divisions. Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

When reviewing the status of the distributions, the Trustees consider the financial results, on-going capital expenditure requirements, leverage, covenants and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel costs and other input costs. An update on those factors is as follows.

- Current financial results – The first quarter of 2008 results are consistent with the comparative period for 2007, excluding unrealized foreign exchange. As of March 29, 2008, the rolling four quarter EBITDA and distributable cash figures, excluding the impact of non-cash foreign exchange, have improved compared to the annual 2007 results. The rolling four quarters' EBITDA and distributable cash being $41.6 million and $17.5 million respectively as of March 29, 2008, as compared to $37.4 million and $13.1 million for fiscal 2007.

- Capital expenditures - Clearwater recently completed its most significant capital project for 2008; the conversion of a vessel for its clam fleet. The vessel cost approximately $17.5 million and Clearwater took delivery of the vessel in April 2008.

- Leverage and financial covenants – As leverage is impacted by EBITDA levels, the improvement in the rolling four-quarter EBITDA, with consistent debt level has resulted in improved leverage as compared to December 31, 2007. However, it is important to note that Clearwater's lending covenants exclude large non-cash items from EBITDA calculations and subordinated debt. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. During the first quarter of 2008, the terms of the lending agreement were amended resulting in additional conditions on distributions that can be declared for 2008. Please see the Definitions and Reconciliations section at the end of this report for the calculation of leverage.

- Expectations regarding future earnings – Management expects 2008 to continue to show improvement compared to 2007. Management believes that with the expansion of the clam fleet in 2008, and assuming exchange rates remain relatively constant throughout the year, Clearwater will continue to grow and to generate positive cash flows and increase profit margins. They also anticipate that 2008 will experience a higher Canadian scallop total allowable catch and reduced overhead costs.

The Fund announced on January 21, 2008 that, having declared distributions of $0.60 per unit in 2007 and having distributed cash in excess of the amounts generated, it would suspend monthly cash distributions. The Trustees and Directors have also agreed that if Clearwater remains in its current structure, distributions will be determined quarterly and paid in arrears after considering the traditional criteria in determining the distribution policy. The Trustees have determined that no distributions will be paid for this quarter. This distribution policy change will not impact Clearwater's outstanding convertible debentures. Clearwater will continue to pay interest semi-annually on the convertible debentures at their regularly scheduled dates.

The Trustees have appointed BMO Nesbitt Burns as their financial advisor for the strategic review. The objective of the strategic review, which commenced during the fourth quarter of 2007, is to identify and consider strategic alternatives available to maximize unit holder value. There can be no assurance that the review process will result in a decision regarding any transaction, or that it will be completed in any specific time frame.

Clearwater has a large depreciable asset base and some of the business units are incorporated. As a result, some of our distributions are treated as return of capital for tax purposes and are not taxable to the unit holder and some are taxed as dividend income and are taxable to unit holders. The following table summarizes the history of the taxation of distributions.

Taxation year	Return of capital	Dividend income	Other income
2002 per $ of distribution	62%	4%	34%
2003 per $ of distribution	45%	20%	35%
2004 per $ of distribution	62%	3%	35%
2005 per $ of distribution	52%	-	48%
2006 per $ of distribution	32%	-	68%
2007 per $ of distribution	23%	76%	1%

Summary of distributable cash and other key figures

($000's)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007	Year ended December 31, 2007	Year ended December 31, 2006
Cash flow from operations	$ 11,618	$11,379	$ 26,547	$ 44,612
Net (loss) earnings (21,369)	3,668	20,268	1,834	
Distributions declared	-	7,918	31,499	15,837
Distributable cash	(1,457)	(5,901)	13,084	42,351
(Shortfall) excess of distributable cash over distributions declared	(1,457)	(13,819)	(18,415)	26,514
(Shortfall) excess of cash flows from operating activities over distributions declared	11,618	3,461	28,775	8,775
(Shortfall) excess of net income over cash distributions declared	(21,369)	(4,250)	(14,003)	(7,494)

Distributions have been suspended effective January 2008. When considering Clearwater's ability to reinstate distributions, the Trustees will weigh considerations including, but not limited to, the current financial conditions, capital expenditures, leverage, covenants and expectations for future earnings.

In July 2007, the Canadian Institute of Chartered Accountants ("CICA") released guidance on the calculation and disclosure for distributable cash in which it requires a calculation of "Standardized Distributable Cash" and allows a calculation of "Adjusted Standardized Distributable Cash". Adjusted Standardized Distributable Cash is consistent with the calculation we have always provided and therefore for the purposes of our report we refer to it as "distributable cash".

OUTLOOK

In late April 2008, Clearwater took delivery of the vessel it had been converting over the past several months for its clam fishery. Management continues to believe there is strong potential for growth in the clam business. They expect to realize this potential with the delivery of the newly converted clam vessel in the second quarter of 2008. This new vessel combined with the ocean bottom mapping technology will enable the clam business to realize significant improvements for 2008 and beyond.

In addition, Clearwater has renewed and expanded its' new joint venture agreement for its shrimp harvesting operations effective April 1, 2008. This joint venture will enable Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that is expected to create efficiencies and improved profits for the business in the future

Clearwater will continue to monitor its financial position on a regular basis and review distribution decisions on a quarterly basis in arrears. At the same time, the Trustees and special committee are committed to thoroughly examining all the options available, to maximize unit holder value and foster long-term growth, through the strategic review currently in progress.

We hold significant quotas in our key species, we have leading-edge, innovative harvesting and processing technologies and we are vertically integrated. Our business strategies to deliver long-term value are sound.

We have an outstanding and dedicated workforce, excellent quota positioning, and global customer relationships that span decades and we look forward to building on these strengths for the balance of 2008 and going forward.

CRITICAL ACCOUNTING POLICIES

Clearwater's critical accounting policies are those that are important to the portrayal of Clearwater's financial position and operations and require management to make judgments based on underlying estimates and assumptions about future events and their effects. Underlying estimates and assumptions are based on historical experience and other factors that are believed by management to be reasonable under the circumstances. These estimates and assumptions are subject to change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes. Refer to the annual report for a complete listing of critical accounting policies and estimates used in the preparation of the consolidated financial statements.

Impact of recently adopted accounting policies

During the course of the quarter, Clearwater reviewed all new accounting standards issued by the CICA in order to determine the impact of the new standards, if any.

Impact of accounting policies adopted in 2008:

Inventories

Effective January 1, 2008, Clearwater adopted section 3031 “Inventories” that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory, as a portion of plant overhead, administration and depreciation costs are included in inventory. As a result, the gross profit has been impacted as the administration and depreciation costs that are now included in inventory are expensed as part of the cost of goods sold as opposed to other costs that are listed below the gross profit.

Clearwater has applied the new standard retrospectively without restatement, which resulted in an increase to inventory and decrease in deficit of $5.3 million at January 1, 2008.

Inventories, which consist primarily of finished goods are stated at the lower of cost or net realizable value. Cost includes the cost of materials plus direct labor applied to the product and the applicable share of manufacturing overheads, administration and depreciation and is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

During the first quarter of 2008, $45,513,000 amount of inventory was recognized as cost of sales. There was $208,000 of write-downs recorded in the first quarter of 2008.

The following table illustrates the impact of the new standard for the first quarter of 2008.

	Amount prior to application of new standard	Adjustment for new standard	Amount per financial statements
Cost of goods sold	*$ 44,883*	*$ 5,945*	*$ 50,828*
Gross profit	*12,231*	*(5,945)*	*6,286*
Administration and selling	*8,693*	*(2,604)*	*6,089*
Depreciation and Amortization	*2,756*	*(2,218)*	*538*
Net loss	*$ (20,246)*	*$ (1,123)*	*$ (21,369)*

Financial instruments disclosure

Effective January 1, 2008, Clearwater adopted section 3862 “Financial Instruments – Disclosures” ” and 3863 “Financial Instruments – Presentation”, which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater’s financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period and balance sheet date and management’s objectives, policies and procedures for managing such risks. . The adoption of 3862 and 3863 did not have an impact on Clearwater’s financial results or position.

Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, “Capital Disclosures” that establishes guidelines for the disclosure of information on the Partnership’s capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership’s objectives, policies and processes for managing capital.

Impact of standards to be adopted in the future

International Financial Reporting Standards (“IFRS”)

Effective January 1, 2011, Canadian GAAP will converge with IFRS. At this time, financial reports will be based on IFRS and will require comparative information. We are currently in the process of developing and implementing a plan to ensure

Clearwater is prepared to meet the requirements of the new accounting guidelines. Due to the complexity of the new guidelines it is difficult to determine the impact at this time. As we develop further in the process, any significant impacts will be reported on a timely basis.

Goodwill and intangible assets

In January 2008, the CICA issued section 3064, "Goodwill and Intangible Assets" that establishes standards for the recognition of internally developed intangible assets. The standards for the recognition and impairment testing of goodwill are carried forward unchanged. This section is applicable to Clearwater commencing January 1, 2009. Clearwater does not expect that this section will have a significant effect on the financial statements.

SUMMARY OF QUARTERLY RESULTS

The following financial data provides historical data for the nine most recently completed quarters.

(In 000's except per unit amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2008				
Sales	$ 57,114			
Net loss	(21,369)			
Basic loss per unit	(0.42)			
Fiscal 2007				
Sales	$ 59,095	$ 75,311	$ 90,555	$77,720
Net earnings (loss)	3,668	12,120	9,323	(4,843)
Basic earnings (loss) per unit	0.07	0.23	0.18	(0.09)
Fiscal 2006				
Sales	$ 70,349	$ 81,312	$ 79,939	$ 84,136
Net earnings (loss)	1,634	10,407	8,507	(18,714)
Basic earnings (loss) per unit	0.03	0.22	0.16	(0.35)

Clearwater's business is seasonal in nature, with sales typically higher in the second half of the calendar year than the first half of the year.

The impact of the foreign exchange rates can have a significant impact on the volatility of earnings in the quarterly results, which include large non-cash losses related to foreign exchange derivatives.

For a more detailed analysis of each quarter's results, please refer to our quarterly reports and our annual reports.

DEFINITIONS AND RECONCILIATIONS

Distributable Cash

Distributable cash does not have any standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that distributable cash is a useful supplemental measure, as it provides an indication of cash available for distribution to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. In addition, as distributable cash is a measure frequently analyzed for income trusts, we have calculated the amount in order to assist readers in this review. Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows, and management does not use this measure as a performance measure of earnings. Management uses distributable cash as a measure of cash generated by Clearwater available for distribution to unitholders without eroding Clearwater's production capacity.

We calculate distributable cash by starting with the actual cash from operating activities. From that we add or deduct, as appropriate, actual changes in working capital and gains/losses on disposals of property, plant, equipment and licences. Finally, we deduct the actual amount of our minority partners' share in EBITDA, interest and taxes and the amount spent on capital expenditures that management has designated as being for maintenance rather than growth.

This reconciliation has been prepared using reasonable and supportable assumptions, all of which reflect Clearwater's planned courses of action given management's judgement about the most probable set of economic conditions. Any adjustments based on forward-looking information may vary from actual results, perhaps materially.

The distributable cash shortfall was $1.5 million in the first quarter of 2008 compared to a shortfall of $5.9 million in the first quarter of 2007. When reviewing the distribution policy, Clearwater's Trustees consider the financial results, on-going capital expenditure requirements, leverage, covenants and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs.

As previously discussed, the operations in the first quarter of 2008 operated without significant disruption compared to the first quarter of 2007 when both the scallop and clam fleet experienced refit costs. These impacts also translated into an increase of distributable cash generated by $4.4 million as compared to 2007.

($000's)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Cash flow from operating activities	$ 11,618	$ 11,379
Add (deduct):		
Capital expenditures per cash flow statement	(21,945)	(7,265)
Standardized Distributable Cash	(10,327)	4,114
Change in non-cash working capital [A]	(12,785)	(14,996)
Minority share EBITDA, int., taxes [B]	(440)	(1,528)
Adjustment for ROI capital [C]	20,957	6,778
Impact of new inventory standard [D]	1,123	-
Gain (loss) on disposal P,P,E /licences [E]	15	(269)
Distributable cash	$ (1,457)	$ (5,901)
Distributions [E]	$ -	$ 7,918

A. Change in non-cash working capital is excluded as changes in working capital are, for the most part, due to seasonality and tend to reverse over the year, and are financed using Clearwater's debt facilities. Changes in this item depend on variables including, but not limited to, supply and demand, collectibility of accounts and timing of payments. Due to the seasonal nature of the seafood industry, inventories tend to build up over the summer months due to more favourable fishing conditions, as well as during seasonal buys for product such as lobster.

B. Minority share in EBITDA, interest and taxes represents cash flows attributable to the minority interest in certain non-wholly owned subsidiaries. It is the calculated minority partners' interest in the earnings before interest, taxes, depreciation and amortization of the subsidiaries less their proportionate share of the interest and taxes. The adjustment is based on the actual results of minority interest entities and can fluctuate based on the results from the particular businesses.

C. Proportionate maintenance capital represents capital expenditures that are related to sustaining existing assets rather than expansion or productivity improvement. The adjustment includes all capital expenditures with the exception of those projects designated as ROI projects based on achieving at least a 20% return on investment; such projects are disclosed in the capital expenditures section of the MD&A. The amount can vary and may relate to actual and expected spending and future benefit when determining if the project is a maintenance project or ROI project.

D. The impact of the new inventory standard was excluded from this calculation in order to provide a comparable figure to fiscal 2007.

E. Gains (losses) on property, plant and equipment are added back (deducted), as during the course of operating the business Clearwater will typically realize gains and losses from the turnover of assets, which occurs frequently due to Clearwater's focus on innovation. This includes gains and losses in the investing section of the Statement of Cash Flows along with any other minor adjustments not significant enough to disclose separately. The amount can vary and may relate to actual spending.

F. There were no distributions for the first quarter of 2008.

   Clearwater's business is seasonal in nature, with the result that lower amounts of distributable cash are generated in the first half of the year as compared to the latter half.

Gross Profit

Gross profit consists of sales less harvesting, production, distribution, and manufacturing costs.

Earnings before interest, tax, depreciation and amortization

Non-cash foreign exchange losses and gains have been backed out of the calculation of EBITDA due to the variability in non-cash gains and losses.

Earnings before interest, tax, depreciation and amortization is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA is a measure frequently analyzed for public companies, we have calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of four quarters ended March 29, 2008 and four quarters ended December 31, 2007 EBITDA

($000's)	Four quarters ended March 29, 2008	Four quarters ended December 31, 2007
Net (loss) earnings	$ (4,769)	$ 20,268
Add (deduct):		
Minority interest	3,148	4,024
Income taxes	1,452	133
Reduction in foreign currency translation	2,644	2,644
Foreign exchange and derivative loss (income) unrealized	9,875	(17,697)
Depreciation and amortization	11,060	11,267
Interest on long-term debt	17,425	15,905
Bank interest and charges	752	840
EBITDA	$ 41,587	$ 37,384

Leverage

Leverage is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity. In addition, as leverage is a measure frequently analyzed for public companies, we have calculated the amount in order to assist readers in this review. Leverage should not be construed as an indicator of performance, as a measure of liquidity or as a measure of cash flows, and management does not use this measure as a performance measure of earnings.

Leverage is calculated by dividing the current and preceding three quarters' EBITDA by the total debt on the balance sheet adjusted for cash reserves, cash and currency hedges for the Icelandic debt for the period.

($000's)		March 29, 2008		December 31, 2007
EBITDA (as per previous table)		$ 41,587		$ 37,384
Total debt (per below)		166,742		149,405
Leverage		4.0		4.0
Debt per balance sheet		220,681		227,564
Adjust ISK denominated bond to swapped value:				
Less Icelandic bond	(43,328)		(51,392)	
Estimated payment for Icelandic bond (excluding CPI)	45,005	1,677	44,111	(7,281)
Reduce cash by unreserved		(55,616)		(70,878)
Net debt for leverage		166,742		149,405

Estimated payment for Icelandic bond when considering currency swaps

March 29, 2008

Currency in (000's)	Amount	Current rate	Canadian $
Canadian	$25,000	1.000	$25,000
US	$9,708	1.0215	9,917
Euro	2,500	1.6046	4,012
Sterling	3,000	2.0252	6,076
			$45,005

December 31, 2007

Currency in (000's)	Amount	Current rate	Canadian $
Canadian	$25,000	1.000	$25,000
US	$9,708	0.9913	9,624
Euro	2,500	1.4428	3,607
Sterling	3,000	1.9600	5,880
			$44,111

Off-balance sheet arrangements

Clearwater does not have any off-balance sheet arrangements.

Critical accounting estimates

The preparation of Clearwater's consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Further information on Clearwater's critical accounting estimates is included in the 2007 MD&A.

CLEARWATER SEAFOODS INCOME FUND

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	March 29, 2008 (unaudited)	December 31, 2007
Assets		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	$ 831	$ 3,795
Investment in Clearwater Seafoods Limited Partnership (note 3)	334,771	348,125
	$ 335,602	$ 351,920
Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 764	$ 3,733
Convertible debentures (note 4)	87,698	87,624
Future income taxes	29,300	29,300
Unitholders' Equity		
Trust units (note 5)	283,839	288,913
Contributed surplus (note 5)	8,949	6,211
Deficit	(74,948)	(63,861)
	217,840	231,263
	$ 335,602	$ 351,920

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Earnings (Loss) and Deficit

(In thousands of Canadian dollars) (unaudited)	*13 weeks ended* March 29, 2008	*13 weeks ended* March 31, 2007
Equity in net (loss) earnings of Clearwater Seafoods Limited Partnership	$ (11,642)	$ 1,989
Interest income	1,597	991
Interest expense	(1,666)	(1,038)
Net earnings (loss)	$ (11,711)	$ 1,942
Deficit beginning of period as previously stated	(63,861)	(24,091)
Application of new inventory standard (note 2 (a))	2,868	-
Deficit beginning of period restated	(60,993)	(24,091)
Reduction in investment in Clearwater (note 3)	(2,244)	-
Distributions declared	-	(4,411)
Adjustment for cancellation of convertible debentures	-	17
Deficit end of period	$ (74,948)	$ (26,543)
Basic and diluted net earnings (loss) per trust unit	$ (0.42)	$ 0.07

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars)

(In thousands of Canadian dollars) (unaudited)	*13 weeks ended* March 29, 2008	*13 weeks ended* March 31, 2007
Net earnings (loss)	$ (11,711)	$ 1,942
Other comprehensive income, net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operations	2	103
Comprehensive income (loss)	$ (11,709)	$ 2,045

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Cash Flows

(In thousands of dollars)

(In thousands of Canadian dollars) (unaudited)	*13 weeks ended* March 29, 2008	*13 weeks ended* March 31, 2007
Cash flows (used in) from operating activities		
Net earnings (loss)	$ (11,711)	$ 1,942
Items not involving cash		
Equity in net earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $1,412 (2007 - $ 4,411)	13,054	2,167
Other	69	47
	1,412	4,156
Cash flows (used in) from financing activities		
Repurchase of convertible debentures	-	(991)
Repurchase of Class A units	(2,337)	245
Issuance of convertible debentures	-	43,500
Distributions to unitholders	(1,412)	(4,411)
	(3,749)	38,343
Cash flows (used in) from investing activities		
Redemption of Class A units	2,337	-
Redemption of Class C units	-	1,001
Purchase of Clearwater Class D units	-	(43,500)
	2,337	(42,499)
Increase (decrease) in cash	-	-
Cash - beginning of period	-	-
Cash - end of period	$ -	$ -

See accompanying notes to consolidated financial statements

(Tabular amounts expressed in thousands of dollars)
(Unaudited)

1. BASIS OF PRESENTATION

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust established under the laws of the Province of Ontario. The Fund was created to acquire and indirectly hold the securities of Clearwater Seafoods Limited Partnership ("Clearwater").

The unaudited interim period consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as described in 2 (a). These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund's 2007 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT") CSHT owns 54.27% (December 31, 2007 – 54.71%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater, the financial statements of Clearwater are also enclosed.

2. CHANGES IN ACCOUNTING POLICIES

a) Inventories

Effective January 1, 2008, Clearwater adopted section 3031 "Inventories" that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory for Clearwater, as a portion of plant overhead, administration and depreciation costs are included in inventory. The Fund's share of this was $2,868,000, which resulted in an increase to the investment in Clearwater Seafoods Limited Partnership and a decrease in deficit.

b) Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, "Capital Disclosures" that establishes standards for the disclosure of information on the Partnership's capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership's objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 7. The adoption of this standard did not have any affect on the financial position or performance of the Fund.

c) Financial Instruments

Effective January 1, 2008, Clearwater adopted section 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater's financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period at the balance sheet date and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in note 3 of the Partnership statements. The adoption of 3862 and 3863 did not have an impact on Clearwater's financial results or position.

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

The investment in Clearwater Seafoods Limited Partnership consists of the following:

	March 29, 2008	December 31, 2007
Investment in Class A Partnership units, at cost	$ 281,587	$ 286,661
Investment in Class C Partnership units	45,000	45,000
Investment in Class D Partnership units	44,389	44,389
Add: Cumulative equity in net earnings	85,317	93,597
Less: Cumulative distributions received	(121,522)	(121,522)
	$ 334,771	$ 348,125

The majority of Clearwater's underlying assets consist of licences that enable Clearwater to harvest various species of seafood. These licences have indefinite lives, are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Fund analyzes the carrying value of its investment in Clearwater as if it had consolidated Clearwater with the Fund. This assessment of the investment in Clearwater may not reflect the current market value of the business as it includes various long-term assumptions related to Clearwater's operations.

Included in equity in net earnings for the quarter is an expense of $45,000 (2007 an expense of $54,000) for amortization of purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method.

During 2008, Clearwater repurchased 500,000 Class A Units from the Fund for $2,336,500. The difference between the Fund's carrying value for these units and the proceeds received from Clearwater in the amount of $2,244,000 was included as an adjustment to equity. This was included as an equity adjustment because it was a related party transaction and was not a culmination of the earnings process.

Details of the allocation of the excess of the Fund's cost over the historical cost of the assets recorded by Clearwater are as follows:

	March 29, 2008	December 31, 2007
Intangible assets		
Licences – indefinite lives	178,583	181,796
Customer relationships and other	417	440
Goodwill	13,437	13,678
Long-term liabilities	333	370
Cumulative foreign currency translation account	(4,721)	(4,807)
	$ 188,049	$ 191,477

4. CONVERTIBLE DEBENTURES

In June 2004, the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31, commencing December 31, 2004. The debentures are not redeemable before December 31, 2007. On and after December 31, 2007, but before December 31, 2008, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after December 31, 2008, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period ending August 2007 that was subsequently renewed for expiry in August 2008. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class C Partnership units by Clearwater. The principal outstanding as at March 29, 2008 and December 31, 2007 was $45 million.

In 2007, the Fund completed an offering for $48.0 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30, commencing September 30, 2007. The debentures are not redeemable before March 31, 2010. On and after March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. The principal outstanding as at March 29, 2008 and December 31, 2007 was $44 million.

The estimated fair value of the Fund's convertible debentures at March 29, 2008 was $75,655,700 based on the quoted market value of the debentures Clr.db and Clr.db.a on the Toronto Stock Exchange.

5. TRUST UNITS AND SPECIAL TRUST UNITS

The Declaration of Trust provides that an unlimited number of units and an unlimited number of Special Trust Units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. All units have equal rights and privileges. Each unit entitles the holder thereof to participate equally in the distributions and to one vote at all meetings of unitholders for each whole unit held. The issued units are not subject to future calls or assessments. Units are redeemable at any time at the option of the holder at amounts related to market price at the time, subject to a maximum of $50,000 in aggregate cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of assets of the Fund, namely notes of Clearwater Seafoods Holdings Trust.

The Special Trust Units have been issued solely to provide voting rights to Clearwater Class B units ("CSLP Exchangeable Units"). Special Trust Units were issued in conjunction with the

CSLP Exchangeable Units and cannot be transferred separately from them. Special Trust Units entitle the holders thereof to the number of votes at any meeting of unitholders of the Fund equal to the number of units which may be obtained upon exchange of the CSLP Exchangeable Units to which they relate and do not otherwise entitle the holder to any rights with respect to the Fund's property or income.

	Units	Special Trust Units	Total $ (in 000's)
Balance December 31, 2007	28,245,695	23,381,217	$ 286,661
Equity component of Convertible Debentures			2,252
			288,913
Cancellation of Class A units	(500,000)		(5,074)
Balance March 29, 2008	27,745,695	23,381,217	$ 283,839

As at March 29, 2008 there were in total 51,126,912 units outstanding (51,626,912 - December 31, 2007).

On January 24, 2007, the Fund received approval for a normal course issuer bid which enables it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float.

During the first quarter of 2008, the Fund purchased and cancelled 500,000 units at a cost of $2,336,500. The difference between the purchase price of these units and the underlying carrying value, being $2,738,000, has been credited to contributed surplus. During 2007, the Fund purchased and cancelled 1,162,100 units at a cost of $5,583,000. The difference between the purchase price of these units and the underlying carrying value, being $6,211,000, credited to contributed surplus.

6. GUARANTEES

The Fund guarantees Clearwater's term credit facility (see note 4(g) to Clearwater's financial statements). The guarantee is limited to the value of the convertible debentures and the value of the units held in Clearwater. As of March 29, 2008 and December 31, 2007 there were no balances outstanding on the term credit facility.

7. CAPITAL MANAGEMENT

The Fund's capital structure includes a combination of equity and convertible debentures. The Fund's objective when managing its capital structure is to obtain the lowest cost of capital available while maintaining flexibility and reducing refinancing risk as appropriate.

The Fund lowers its cost of capital through the use of leverage, in particular lower cost debt. The Fund maintains some flexibility in its capital structure as the amount of capital available to Clearwater can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs as well as capital expenditures and distributions paid. The Fund maintains flexibility in its capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include repaying debt early or repurchasing units, issuing new debt or equity, extending the term of existing debt and if required, limiting distributions paid. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required well in advance of maturity dates.

The Fund's total capital structure is as follows:

	March 29, 2008	December 31, 2007
Equity – Partnership units (see note 5)	$ 283,839	$ 288,913
Convertible debentures	87,698	87,624
Contributed surplus	8,949	6,211
Deficit	(74,948)	(63,861)
	$ 305,538	$ 321,661

8. SEASONALITY

Due to the seasonal nature of Clearwater's business, earnings are typically higher in the second half of the calendar year than the first half of the year.

9. STRATEGIC REVIEW

The Fund announced on November 13, 2007 that the Trustees have initiated a process for identifying and considering strategic alternatives available to maximize unit holder value. The strategic review is in response to Clearwater's weak financial performance in 2007, the ongoing challenges facing the Fund in maintaining distributions and the Canadian government's legislation to tax income trusts. The Fund has engaged BMO Nesbitt Burns to act as their financial advisor for the strategic review process. While a range of alternatives may be considered, there can be no assurance that the review process will result in a decision regarding any transaction or that it will be completed in any specific time frame. In addition, this process may result in a transaction that results in a lower value than the current carrying value of the Fund's investment in Clearwater.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	March 29, 2008 *(unaudited)*	December 31, 2007
Assets		
Current Assets		
Cash	$ 55,616	$ 70,878
Accounts receivable	42,102	48,861
Inventories	51,465	52,152
Derivative financial instruments (notes 2(c) and 3(a))	-	2,303
Prepaids and other	6,751	6,643
	155,934	180,837
Other long-term assets	8,364	8,694
Property, plant and equipment	113,019	103,547
Licences	116,918	106,930
Goodwill	10,378	10,378
	$ 404,613	$ 410,386
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 30,554	$ 30,264
Derivative financial instruments (notes 2(c) and 3(a))	36,021	14,261
Distributions payable	-	2,581
Income taxes payable	1,174	1,204
Current portion of long-term debt (note 4)	59,330	58,779
	127,079	107,089
Long-term debt (note 4)	161,351	168,785
Future income taxes	5,336	5,623
Due to joint venture partner	2,393	2,166
Minority interest	2,535	2,389
Unitholders' Equity		
Partnership units (note 5)	164,770	167,698
Deficit	(49,992)	(33,909)
Contributed surplus	1,816	1,224
Accumulated other comprehensive loss	(10,675)	(10,679)
	105,919	124,334
	$ 404,613	$ 410,386

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of (Loss) Earnings and Deficit

(In thousands of dollars) (unaudited)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Sales	$ 57,114	$ 59,095
Cost of goods sold (includes $2,218 of depreciation expense; 2007 nil – see note 2(a))	50,828	47,285
Gross profit	6,286	11,810
Administration and selling	6,089	10,343
Gain on disposal of assets	(471)	(78)
Other income (note 6)	(1,328)	(1,246)
Insurance claims	-	(3,552)
Foreign exchange and derivative contracts (note 3(a))	17,290	(3,951)
Bank interest and charges	130	219
Interest on long-term debt	4,458	2,938
Depreciation and amortization	538	2,963
	26,706	7,636
(Loss) earnings before the undernoted	(20,420)	4,174
Income taxes (recovery)	803	(516)
(Loss) earnings before minority interest	(21,223)	4,690
Minority interest	146	1,022
Net (loss) earnings	$ (21,369)	$ 3,668
Deficit at beginning of period as previously reported	(33,909)	(22,831)
Application of new inventory accounting policy (note 2(a))	5,286	-
Deficit at beginning of period restated	(28,623)	(22,831)
Distributions declared during the period	-	(7,918)
Adjustment for cancellation of Class C Units (note 5)	-	17
Deficit at end of period	$ (49,992)	$ (27,064)
Basic and diluted net (loss) earnings per unit	$ (0.42)	$ 0.07

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Comprehensive (Loss) Income and Accumulated Other Comprehensive (Loss) Income

(In thousands of dollars) (unaudited)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Comprehensive Income		
Net (loss) earnings	$ (21,369)	$ 3,668
Other comprehensive income (loss), net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operation	4	185
Comprehensive (loss) income	$ (21,365)	$ 3,853
Accumulated other comprehensive (loss) income		
Balance beginning of period	$ (10,679)	$ 12,321
Unrealized gain on translation of self sustaining foreign operation	4	185
Balance end of period	$ (10,675)	$ 12,506

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Cash Flows

(In thousands of dollars) (unaudited)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Cash flows from (used in) operating activities		
Net (loss) earnings	$ (21,369)	$ 3,668
Items not involving cash:		
Depreciation and amortization	2,756	2,962
Unrealized foreign exchange (gain) loss on long-term debt	(6,595)	2,841
Unrealized inflation and interest on long-term debt	743	795
Future income tax expense (recovery)	287	(1,173)
Minority interest	146	1,022
Unrealized loss (gain) on foreign exchange on currency option contracts	16,874	(10,984)
Unrealized loss (gain) on currency and interest swap contracts	6,132	(3,018)
Loss on disposal and other, net	(141)	270
	(1,167)	(3,617)
Change in non-cash operating working capital	12,785	14,996
	11,618	11,379
Cash flows from (used in) financing activities		
Proceeds from issuance of long-term debt	-	41,357
Reduction of long-term debt and swap contracts	(59)	(992)
Purchase of convertible debentures	-	(963)
Purchase of units	(2,337)	(246)
Distributions to minority partners	-	(1,429)
Distributions to unitholders	(2,581)	(7,918)
Other	(152)	(116)
	(5,129)	29,693
Cash flows from (used in) investing activities		
Increase in other long-term assets	(348)	(371)
Purchase of property, plant, equipment, licences and other	(21,945)	(7,265)
Proceeds on disposal of property, plant, equipment, licences and other	542	364
	(21,751)	(7,272)
(Decrease) increase in cash	(15,262)	33,800
Cash - beginning of period	70,878	10,850
Cash - end of period	$ 55,616	$ 44,650

Supplementary cash flow information		
Interest paid	$ 4,306	$ 1,913
Income taxes (recovered) paid	$ (53)	$ 1,247

See accompanying notes to consolidated financial statements

(Tabular amounts expressed in thousands of Canadian dollars)

1. BASIS OF PRESENTATION

Clearwater Seafoods Limited Partnership ("Clearwater") is a limited partnership that acquired the seafood business of Clearwater Fine Foods Incorporated ("CFFI") on July 30, 2002.

The unaudited interim period consolidated financial statements have been prepared by Clearwater in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as disclosed in note 2 below. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Clearwater Seafoods Income Fund's (the "Fund") 2007 Annual Report.

As CFFI maintains the right to nominate the majority of the board of directors both before and after the acquisition of its seafood business by Clearwater the acquisition was accounted for using the book values of the assets and liabilities as recorded by CFFI.

Due to the seasonal nature of the business, gross profit is typically higher in the second half of the calendar year than the first half of the year.

2. CHANGES IN ACCOUNTING POLICIES

a) Inventories

Effective January 1, 2008, Clearwater adopted section 3031 "Inventories" that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory, as a portion of plant overhead, administration and depreciation costs are included in inventory. As a result, the gross profit has been impacted as the administration and depreciation costs that are now included in inventory are expensed as part of the cost of goods sold as opposed to other costs that are listed after the determination of gross profit.

Clearwater has applied the new standard retrospectively without restatement, which resulted in an increase to inventories and a decrease in deficit of $5,286,000 at January 1, 2008.

Inventories, which consist primarily of finished goods, are stated at the lower of cost and net realizable value. Cost includes the cost of materials plus direct labor applied to the product and the applicable share of manufacturing overheads, administration and depreciation and is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

During the first quarter of 2008, $45,513,000 amount of inventories was recognized as cost of sales. There was $208,000 of write-downs recorded in the first quarter of 2008.

The following table illustrates the impact of the new standard for the first quarter of 2008.

	Amount prior to application of new standard	*Adjustment for new standard*	*Amount per financial statements*
Cost of goods sold	*$ 44,883*	*$ 5,945*	*$ 50,828*
Gross profit	*12,231*	*(5,945)*	*6,286*
Administration and selling	*8,693*	*(2,604)*	*6,089*
Depreciation and Amortization	*2,756*	*(2,218)*	*538*
Net loss	*$ (20,246)*	*$ (1,123)*	*$ (21,369)*

b) Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, "Capital Disclosures" that establishes guidelines for the disclosure of information on the Partnership's capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership's objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 9.

c) Financial Instruments

Effective January 1, 2008, Clearwater adopted section 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater's financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period and balance sheet date and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in note 3. The adoption of 3862 and 3863 did not have an impact on Clearwater's financial results or position.

3. FINANCIAL INSTRUMENTS AND DERIVATIVE CONTRACTS

In the normal course of operations, Clearwater is exposed to foreign exchange, interest rate, credit and liquidity risks

a) Foreign currency exchange rate risk

In excess of 80% of Clearwater's sales are in United States dollars and other currencies, whereas the majority of expenses and any cash distributions are in Canadian dollars. As a result, fluctuations may have a material impact on Clearwater's financial results and the amount of cash available for distribution to unitholders.

Risks associated with foreign exchange are partially mitigated by the fact that Clearwater operates internationally, which reduces the impact of any country-specific economic risks on its business.

Excluding derivative financial instruments, at March 31, 2008 Clearwater's balance sheet exposure to foreign currency was as follows (as converted to Canadian dollars):

Cash	$ 2,430
Accounts receivable	31,784
Accounts payable and accrued liabilities	14,028
Long-term debt	60,810
Net balance sheet exposure	(40,264)

The major components of this net exposure by currency are as follows (in home currency '000's):

	GBP	USD	Yen	Euros	ISK
Cash	93	325	1,262	363	-
Accounts receivable	1,669	10,417	270,265	7,549	-
Accounts payable and accrued liabilities	272	1,570	4,854	744	-
Long-term debt	-	20,000	-	-	2,862,442
Net balance sheet exposure	1,490	(10,828)	266,673	7,168	(2,862,442)

The above items are included in the balance sheet at their carrying value which is materially equal to fair value.

A 10% increase in the exchange rates relative to the Canadian dollar (i.e. increase is when GBP moves from 2.04 to 2.24) would result in the following increase (decrease) to net earnings and net equity (in thousands):

- GBP 304
- USD (1,106)
- Yen 275
- Euros 1,163
- ISK (3,727)

Clearwater's exposure to foreign currency derivative contracts at March 31, 2008 was as follows:

At March 29, 2008 and December 31, 2007, Clearwater had outstanding forward contracts as follows (as converted to Canadian dollars at contracted rates):

Currency	Notional Amount (in 000's)	Average Exchange Rate	Maturity	Fair Value Asset (Liability)
United States dollar				
March 29, 2008	Sell forwards 77,000	1.018	2008	(245)
	Buy forwards 10,000	1.001	2008	170
December 31, 2007	Sell forwards 50,000	1.009	2008	1,262
Euro				
March 29, 2008	Sell forwards 33,500	1.485	2008	(4,006)
December 31, 2007	Sell forwards 33,675	1.438	2008	(355)
	Buy forwards 15,000	1.432	2008	237
Yen				
March 29, 2008	Sell forwards 2,078,989	0.009	2008	(2,074)
December 31, 2007	Sell forwards 1,000,000	0.009	2008	243

In reviewing the sensitivity of exchange rate fluctuations to the above contracts, it is important to note the contracts are anticipated to be settled at the contracted rates. However, a 10% increase in the exchange rates relative to the Canadian dollar at March 29, 2008 would result in the following decrease to net earnings and net equity.

- USD 6,844
- Euros 5,433
- Yen 2,142

The above foreign exchange contracts are included in the balance sheet at their fair value as shown above.

At March 29, 2008 and December 31, 2007, Clearwater had written the following foreign currency option and expandable forward contracts, all of which are sell contracts unless otherwise indicated (as converted to Canadian dollars at contracted rates):

Currency		Notional Amount	Exchange Range	Maturity	Fair value asset (liability)
United States dollar					
March 29, 2008	Option	140,000	0.942 – 1.128	2008	(6,898)
	Expandables	18,000 – 66,000	1.017	2008	(945)
	Reverse knock outs	21,000	1.173	2008	(66)
	Option	30,000	1.003 – 1.025	2009	(1,340)
December 31, 2007	Option	100,000	0.942 – 1.056	2008	(2,704)
	Buy option	60,000	1.013 – 1.185	2008	(7,318)
	Expandables	22,000-74,000	1.009 – 1.106	2008	(187)
	Reverse knock outs	41,000	1.183	2008	(64)
Japanese Yen					
March 29, 2008	Option	6,000,000	0.008 – 0.009	2008	(10,318)
	Option	1,000,000	0.009	2009	(1,256)
December 31, 2007	Option	6,000,000	0.008 – 0.009	2008	(3,545)
Euro					
March 29, 2008	Option	15,000	1.448 – 1.544	2008	(1,425)
	Option	8,000	1.480	2009	(1,116)
December 31, 2007	Option	31,000	1.448 – 1.550	2008	(227)

To supplement its strategy to manage its exposure to foreign exchange Clearwater enters into various derivative instruments including options. Options include the selling of a call or put on a specific currency relative to another currency at a predetermined price in the future. These options can have added features which have the impact of changing the risk profile of the option including adding in a "knock in" feature which provides insurance against the option becoming exercisable unless a certain price threshold is reached; "expandables" where the amount of the currency sold forward is multiplied by a predetermined factor if the call is exercised; and "reverse knock outs", where the seller uses a series of puts and calls related to a currency price range which provides the seller the ability to limit his downside exposure.

In reviewing the sensitivity of exchange rate fluctuations to the above contracts it is important to note a number of items impact the value and option contracts and to be called they need to be considered out of the money and have reached applicable knock-in levels. However, a 10% increase in the exchange rates relative to the Canadian dollar at March 29, 2008 would result in the following decrease to net earnings and net equity.

- USD 21,349
- Yen 7,211
- Euros 3,730

If Clearwater had settled both the forward and option contracts prior to maturity, at March 29, 2008, it would have made a net payment of $29,519,000. For the contracts outstanding at December 31, 2007, if they had been settled it would have led to a net payment of $12,658,000. The liability or asset recorded is included in derivative financial instruments, and the resulting loss or gain is included in income.

The above foreign exchange contracts are included in the balance sheet at their fair value as shown above.

Summary of net liability position for derivative contracts

	2008	2007
Forward, option and expandable contracts	$ 29,519	$ 12,658
Commodity contracts	-	(12)
Interest rate contracts	879	216
Icelandic bond contracts	5,623	(904)
Net liability position	$ 36,021	$ 11,958
Portion disclosed as derivative financial instrument asset	$ -	$ 2,303
Portion disclosed as derivative financial instrument liability	36,021	14,261
Net liability position	$ 36,021	$ 11,958

Foreign exchange and derivative contract loss (gain)

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Realized loss		
Foreign exchange and derivative loss	$1,884	$ 7,291
Other realized gain	(1,005)	(81)
	879	7,210
Unrealized loss (gain)		
Balance sheet translation	(6,595)	2,841
Mark-to-market on exchange derivative contracts	16,874	(10,984)
Mark-to-market on interest and currency swaps	6,132	(3,018)
	16,411	(11,161)
Total loss (gain)	$ 17,290	$ (3,951)

b) Credit risk

Clearwater is exposed to credit risk in the event of non-performance by counter parties to its derivative financial instruments, but does not anticipate non-performance by any of the counter parties as Clearwater only deals with highly rated financial institutions.

Clearwater has significant accounts receivable from customers operating in Canada, United States, Europe and Asia. A significant portion of Clearwater's customers from a value of sales perspective have been transacting with Clearwater in excess of five years and losses have occurred infrequently. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer specific credit risk and country specific credit risk. As a result, Clearwater does not have any significant concentration of credit risk.

c) Interest rate risk

The majority of Clearwater's debt has fixed interest rates with the exception of its ISK debt. A 10% change in the interest rate on the ISK debt would result in additional annual interest expense of approximately ISK 24,600,000 or Canadian $300,000.

As indicated in the note entitled "Long-Term Debt", Clearwater uses cross currency and interest rate swaps to economically hedge its exposures to changes in foreign currencies and interest rates. The terms of the swap agreements related to the Icelandic bonds also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). These agreements do not qualify for hedge accounting. Although Clearwater has no intention of settling these contracts prior to maturity, at March 29, 2008, if it settled these contracts it would have made a net payment of $6,502,000 (December 31, 2007 - received a net payment of $688,000). The liability is included in derivative financial instruments and the resulting non-cash loss is included in income. See note 4(d) for additional information relating to the swaps.

d) Liquidity risk

Please refer to note 9 for information on how Clearwater addresses liquidity risk.

In addition please see section (a) and (b) of this note for disclosure on maturities of financial instruments.

The following table provides detail on the maturities of items not previously disclosed in section (a) and (b) of this note:

Payments due		Contractual obligations		
by year	Long term debt	Operating leases	Other obligations	Total
< December 31, 2008	59,330	2,397	-	61,727
2009	1,160	2,755	-	3,915
2010	87,585	2,252	-	89,837
2011	896	2,148	-	3,044
2012	868	2,129	-	2,997
> 2012 years	70,842	1,993	2,393	75,228
Total	220,681	13,674	2,393	236,748

Further details on these obligations are disclosed in the notes to the annual consolidated financial statements. Amounts in years less than 1 and 3 are high as non-amortizing term credit facilities are scheduled for renegotiation. Interest payable on long-term debt obligations can be determined by reviewing the debt balances and maturities as disclosed in note 4.

4. LONG-TERM DEBT

	March 29, 2008	December 31, 2007
Notes payable (a)		
Canadian dollars	$62,627	$ 62,573
United States dollars	20,316	19,697
Class C Partnership Units (b)	43,338	43,201
Class D Partnership Units (c)	41,054	40,951
Bond payable (d)	43,328	51,392
Marine mortgage, due in 2017 (e)	5,239	4,911
Term loan, due in 2091 (f)	3,500	3,500
Other loans	1,279	1,339
	220,681	227,564
Less current portion	59,330	58,779
	$161,351	$ 168,785

a) Notes payable, senior secured notes issued in four series:

- $43,000,000 principle Canadian Series A Notes issued in 2003, bearing interest at 6.4% payable semi-annually, maturing December 8, 2008.

- $15,000,000 principle U.S. Series B Notes issued in 2003, bearing interest at 5.65% payable semi-annually, maturing December 8, 2008.

- $20,000,000 principle Canadian Series C Notes issued in 2003, bearing interest at 7.23% payable semi-annually, maturing December 8, 2013.

- $5,000,000 principle U.S. Series D Notes issued in 2005, bearing interest at 6.12% payable semi-annually, maturing December 8, 2013.

The notes are secured by mortgages and charges on all of the present and future property and assets of Clearwater and certain of its wholly owned subsidiaries, the interests of the Fund in Clearwater Seafoods Holdings Trust ("CSHT") and all the issued shares of CS ManPar Inc., the general partner of Clearwater. The security arrangement is guaranteed by an inter-creditor agreement with the banking syndicate members participating in the term credit facility disclosed in section (g) of this note.

b) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are redeemable and retractable at a price of $12.25 per unit and are due December 31, 2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an effective interest rate of approximately 8.56% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02%, and interest expense is added to the debt component of the units.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of the convertible debentures in the 12-month period ending August 2007 that was subsequently renewed for expiry in August 2008. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class C Partnership units by Clearwater. During the year ended December 31, 2007, $2 million of the Class C units were repurchased and cancelled with the proceeds used in the Fund to repurchase and cancel the equivalent amount of the convertible debenture. The principal outstanding as at March 29, 2008 was $45 million.

c) In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit and are due on March 31, 2014. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an effective interest rate of approximately 8.81% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.27%, and interest expense is added to the debt component of the units.

On June 2, 2007, $1,000 of the convertible debentures was converted into 169 Class A units at a price of $5.90 per unit.

The Fund filed a normal course issuer bid by which it can acquire up to $4.8 million principal amount of the convertible debentures in the 12-month period ending August 2008. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class D Partnership units by Clearwater. In 2007, approximately $3.7 million of Class D Partnership units were repurchased and cancelled with the proceeds used by the Fund to repurchase and cancel an equivalent amount. The principal outstanding as at March 29, 2008 of the convertible debentures was $44.4 million.

d) Senior unsecured bond in the amount of 2,460,000,000 ISK due September 27, 2010 at a fixed rate of 6.7% accrued annually and paid at maturity. Both the bond and the interest are adjusted for changes in the Icelandic Consumer Price Index ("CPI"). Clearwater has entered into a number of swap agreements to economically fix the currency and CPI exposure associated with the debt. There are also interest rate swap agreements in place.

Clearwater has no intention to unwind the above contracts, however the agreements do not qualify for hedge accounting and therefore the gains and losses related to the fair value of these hedges are taken into income during the period.

The swap agreements have effectively resulted in the following:

- $25,000,000 Canadian dollar liability with an effective interest rate of 8.40%
- $5,000,000 U.S. dollar liability with an effective interest rate of 6.61%
- $4,707,502 U.S. dollar liability with an effective interest rate of 8.51%
- 3,000,000 Pound Sterling liability with an effective interest rate of 9.87%
- 2,500,000 Euro liability with an effective interest rate of 8.25%

Interest expense on the bond is recorded using the effective interest rate method that takes into account estimated future Icelandic inflation rates. The cumulative interest accrued is $5.7 million year to date (December 2007 – $6.1 million). As previously noted interest exposure on this bond has been economically hedged and the cash payment on the related swaps was $1.0 million (March 31 2007 - $1.0 million).

	March 29, 2008	December 31, 2007
Principal	$ 31,612	$ 38,174
Accrued interest	5,657	6,101
Accrued CPI	6,059	7,117
	$ 43,328	$ 51,392

e) Marine mortgage payable in the principal amount of CDN $4,032,000 (December 31, 2007 - $4,032,000), DKK 16,480,000 (December 31, 2007 - DKK 16,480,000) and YEN 277,826,000 (December 31, 2007 - 277,826,000) bearing interest at UNIBOR plus 1% payable semi-annually, 50% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $776,000, DKK 2,087,000 and YEN 29,767,000 due in 2008-2012, CDN $152,000 due in 2013, DKK 2,087,000 and YEN 29,767,000 due in 2013-2014, DKK 1,871,000 due in 2015, YEN 29,767,000 due in 2015-2016 and YEN 9,923,000 due in 2017, 50% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licences.

f) Term loan, payable in 2091. In connection with this loan Clearwater makes a royalty payment of $275,000 per annum in lieu of interest.

g) Clearwater has a revolving term debt facility of $60 million from a syndicate of banks (which was not drawn upon at March 29, 2008 or December 31, 2007). The facility, which matures and is renewable in May 2009 is part of a master netting agreement that was in a cash position of $50.5 million as at March 29, 2008.

Clearwater's debt facilities contain various non-financial and financial covenants. They include, but are not limited to, leverage ratios and fixed charge ratios (which exclude most significant non-cash items and non-recurring items from earnings) that can limit distributions paid and the amount of allowable debt outstanding. During the first quarter of 2008, Clearwater's lending agreement was amended resulting in additional conditions on the amount of distributions that can be declared in 2008. In addition, payments related to these debt facilities take priority over payments on securities held in Clearwater by the Fund.

Principal repayments required in each of the next five years are approximately as follows:

2008	59,330
2009	1,160
2010	87,585
2011	896
2012	868

5. PARTNERSHIP UNITS

Clearwater is authorized to issue an unlimited number of Class A limited partnership units, an unlimited number of Class B general partnership units, issuable in series, an unlimited number of Class C limited partnership units, an unlimited number of Class D limited partnership units and an unlimited number of Class Y general partnership units, issuable in series. Each unit (other than the Class Y units) entitles the holder thereof to one vote, except in certain situations as described pursuant to the Limited Partnership Agreement governing Clearwater. Each issued Class B unit is accompanied by a Special Trust Unit issued by the Fund entitling the holder to receive notice of, to attend and to vote at meetings of unitholders of the Fund.

In June 2004, 4,081,633 Class C units in the amount of $50 million were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are non-voting redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. During 2007, the Fund purchased and cancelled 1,162,000 Class A units at a cost of $5.6 million. During the first quarter of 2008, the Fund purchased and cancelled 500,000 Class A units at a cost of $2.3 million. The total units purchased under this plan since January 24, 2007 is 1,662,000.

	Class A Units	Class B Units	$ (in 000's)
Balance December 31, 2004, no change to December 31, 2006	29,407,626	23,381,217	$ 172,251
Equity component of Class C Units			828
Balance December 31, 2006			$ 173,079
Cancellation of Class A Units	(1,162,100)	-	(6,807)
Issuance of Class A Units	169	-	1
Subtotal	28,245,695	23,381,217	166,273
Equity component of Class D Units			1,579
Cancellation of $2 million Class C Units			(35)
Cancellation of $3.7 million Class D Units			(119)
Balance December 31, 2007			$ 167,698
Cancellation of $0.5 million Class A Units	(500,000)	-	(2,928)
Balance March 29, 2008	27,745,695	23,381,217	$ 164,770

As at March 29, 2008 there were in total 51,126,912 units outstanding (51,626,912 - December 31, 2007).

Distributions paid for the three-month period ended March 29, 2008 were $nil (2007 – $7,918). All of the Partnership's distributions are at the discretion of the Trustees and are subject to certain conditions imposed by lending agreements.

As CFFI controlled Clearwater's seafood business both before and after the initial public offering, the acquisition of the seafood business by Clearwater was accounted for using the book values of the assets and liabilities as recorded by CFFI. The excess of the capital contributions of $267,728,000 over book values of the assets of $180,533,000, being $87,195,000, was debited to partnership units.

6. OTHER INCOME

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Investment income	$ 704	$ 232
Quota rental and royalties	99	337
Export rebate	80	296
Other	445	381
	$ 1,328	$ 1,246

7. SEGMENTED INFORMATION

a) General information

Clearwater operates primarily within one industry that being the harvesting, procurement, processing and sale of seafood with no separately reportable business segments. The products are sold primarily to customers in the United States, Europe, Asia, and Canada.

b) Net sales to customers by product category

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Scallops	$24,365	$ 20,876
Lobster	13,888	15,872
Clams	11,498	9,717
Coldwater shrimp	4,941	9,653
Crab	797	872
Groundfish and other	1,625	2,251
Hedging program	-	(146)
	$57,114	$ 59,095

c) Geographic information

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Sales		
United States	$17,211	$ 20,873
Europe		
France	9,030	5,298
Denmark	248	2,861
UK	5,236	5,076
Other	5,127	5,161
Asia		
Japan	6,052	4,947
Other	5,411	5,576
Canada	8,640	9,002
Other, including hedging program	159	301
	$ 57,114	$ 59,095

	March 29, 2008	March 31, 2007
Property, plant, equipment, licences and goodwill		
Canada	$ 221,993	$ 254,867
Argentina	17,550	17,944
Other	772	901
	$ 240,315	$ 273,712

8. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, during the first quarter of 2008 and 2007.

	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Transactions		
Charged by CFFI for rent and other services, net of rent and IT services charged to CFFI	107	65
Balances		
Distribution and other receivable (payable) to CFFI	16	(1,214)

In addition Clearwater was charged approximately $26,300 for vehicle leases in 2008 (2007 - $31,500) and nil for other services in 2008 (2007 - $18,300) by companies controlled by a relative of an officer of Clearwater.

These transactions are in the normal course of operations and have been recorded at the exchange amount agreed to between the parties

During the first quarter of 2008, Clearwater sold equipment to one of our minority shareholder's. The equipment was sold at a market price of $467,000.

9. CAPITAL MANAGEMENT

Clearwater's objectives when managing capital are as follows:

- To maintain financial flexibility to preserve access to capital markets and meet its financial obligations
- To have sufficient capital to maintain its capital program
- To meet requirements of lending facilities

Clearwater's capital structure includes a combination of equity and various classes of long-term debt. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange and refinancing risk as appropriate.

Capital is managed by monitoring key metrics such as cash generation, capital expenditures, distribution payments, which in turn impact ratios such as leverage.

Management believes that the significant cash balances currently being carried and the available credit lines provided by its bank syndicate will be sufficient to meet Clearwater's cash requirements. We use leverage, in particular senior revolving and term debt, to lower our cost of capital. The amount of senior debt available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. We maintain flexibility in our capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include early repayment of debt, repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required in advance of maturity dates.

In 2008, $59.3 million of term notes are due (see note 4 (a) to the financial statements), resulting in that debt classified as current. Management intends to refinance the debt during the next two quarters with such refinancing happening as part of the strategic review currently being conducted or as a stand-alone refinancing.

Clearwater also has other debt, and as a result its total capital structure is as follows as March 29, 2008 and December 31, 2007:

In (000's)	March 29 2008	December 31 2007
a. Equity – Partnership units	$ 164,770	$ 167,698
b. Convertible debt, Class C units, due in 2010	43,338	43,201
c. Convertible debt, Class D units, due in 2014	41,054	40,951
d. Non-amortizing debt		
Term notes due in 2008	58,154	57,641
Term notes due in 2013	24,789	24,629
Bond payable, due in 2010	43,328	51,392
Term loan, due in 2091	3,500	3,500
	129,771	137,162
Amortizing debt		
Marine mortgage	5,239	4,911
Other loans	1,279	1,339
	6,518	6,250
Deficit	(49,992)	(33,909)
	$ 335,459	$ 361,353

Equity consists of Class A Limited Partnership units, Class B General Partnership units and an equity portion of Class C Partnership units and Class D Partnership units. Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with Special Trust Units that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI.

The details of the debt are disclosed in note 4.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. These covenants include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that can limit the amount of distributions paid. During the first quarter of 2008, the terms of the lending agreement were amended resulting in additional conditions on the amount of distributions that can be declared in 2008. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. When considering leverage, it has remained consistent when compared to December 31, 2007 and the increase in earnings is offset by higher calculated debt levels. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

Quarterly and unit information

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from January 1, 2006 to march 29, 2008.

	2008	2007				2006			
Clearwater Seafoods Limited Partnership ($000's except per unit	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Sales	57,114	77,720	90,555	75,311	59,095	84,136	79,939	81,312	70,349
Net earnings (loss)	(21,369)	(4,843)	9,323	12,120	3,668	(18,715)	8,507	9,787	1,634
Distributable cash	(1,457)	12,598	5,793	594	(5,901)	7,237	10,362	16,459	8,294
Distributions	-	7,807	7,875	7,901	7,918	7,919	7,918	-	-
Per unit data									
Basic and diluted net earnings (loss)	(0.42)	(0.09)	0.18	0.23	0.07	(0.36)	0.15	0.19	0.03

Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN, IPO July 30, 2002

		2007				2006			
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Trading price range of units (board lots)									
High	4.65	4.95	4.99	5.25	5.15	5.36	5.68	4.60	4.25
Low	3.11	4.25	4.41	4.71	4.70	4.56	4.20	3.93	3.35
Close	3.73	4.50	4.60	4.79	4.82	4.97	5.33	4.32	4.05
Tranding volumes (000's)									
Total	1,633	5,209	1,770	8,197	6,958	2,895	2,794	4,051	4,311
Average daily	27	83	28	130	109	47	45	64	67
Units outstanding at end of quarter									
Units	27,745,695	28,245,695	28,949,895	29,190,395	29,357,526	29,407,626	29,407,626	29,407,626	29,407,626
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	51,126,912	51,626,912	52,331,112	52,571,612	52,738,743	52,788,843	52,788,843	52,788,843	52,788,843

CORPORATE INFORMATION

TRUSTEES OF CLEARWATER SEAFOODS INCOME FUND

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

Brian Crowley
Founding President, Atlantic Institute for Market Studies

Thomas D. Traves
President and Vice-Chancellor, Dalhousie University

DIRECTORS OF CS MANPAR INC., MANAGING PARTNER OF CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

Hugh K. Smith
Vice-President, Municipal Group of Companies
Chairman, Corporate Governance Compensation Committee

Thomas D. Traves
President and Vice-Chancellor, Dalhousie University
Chairman, Clearwater Seafoods Income Fund

Brian Crowley
Founding President, Atlantic Institute for Market Studies

Brendan Paddick
Chief Executive Officer, Columbus Communications Inc.

John C. Risley
Chairman, CS ManPar Inc.

Colin E. MacDonald
Chief Executive Officer, CS ManPar Inc

OFFICERS OF CS MANPAR INC.

John C. Risley
Chairman

Colin E. MacDonald
Chief Executive Officer

Eric R. Roe
Chief Operations Officer

Michael D. Pittman
Vice-President, Fleet

Robert D. Wight
Vice-President, Finance and Chief Financial Officer

Stan Spavold
Corporate Secretary

INVESTOR RELATIONS

Tyrone D. Cotie, C.A.
Director of Corporate Finance and Investor Relations
(902) 457-8181
tcotie@clearwater.ca

AUDITORS

KPMG LLP
Halifax, Nova Scotia

UNITS LISTED

Toronto Stock Exchange
Unit Symbol CLR.UN
Convertible Debenture symbols: CLR.DB and CLR.DB.A

TRANSFER AGENT

Computershare Investor Services Inc.

CLEARWATER SEAFOODS INCOME FUND
757 Bedford Highway, Bedford, Nova Scotia, Canada B4A 3Z7
Tel. (902) 443-0550 Fax. (902) 443-7797 www.clearwater.ca